

World Agriculture & Trade



U.S. Agricultural Exports To Rise \$4 Billion in 2003

Sharply higher prices for grains and soybeans, reflecting drought-reduced U.S. production, are expected to boost the value of U.S. agricultural exports to \$57.5 billion in fiscal year 2003, a 7.5-percent gain over 2002. Bulk commodity exports are likely to lead the gains, although high-value product (HVP) exports also are expected to increase. Higher corn export volume is more than offset by lower soybean volume, pulling bulk export volume down from 2002.

U.S. agricultural imports also are projected up in 2003, but with a smaller gain than for exports. Forecast at \$42 billion, imports will be \$1.5 billion (4 percent) above estimates for 2002. This rate of growth over the previous year is higher than in some recent years that were plagued by financial crises, but is still well below the strong average annual rates of growth of U.S. imports in the mid-1990s.

Most of the projected increase in import value is in horticultural products, such as fruits and juices, and wine and malt beverages. These products are likely to show gains in both volume and value. Most U.S. horticultural product imports come from Canada and Mexico.

The 2003 U.S. agricultural export surplus is forecast at \$15.5 billion, 19 percent or \$2.5 billion above the surplus estimated for 2002. This would be the largest export surplus since fiscal year 1998.

Bulk Product Export Gains Exceed High-Value Products

Bulk exports include wheat, rice, coarse grains, soybeans, cotton, and tobacco. Projected at \$21 billion, bulk commodities lead the gains in value, increasing 14 percent over 2002 compared with only an estimated 4-percent increase in value for HVP exports in 2003. Higher prices from drought-induced production drops are largely responsible. Average export unit values for corn, soybeans, and wheat are projected sharply higher.

Volume of bulk commodity exports is expected to decline to 110.3 million tons in 2003 from 114.9 million tons in 2002, due to an expected sharp drop in soybean exports. Corn volume is anticipated to rise by 2.5 million tons, taking advantage of less foreign competition, and stronger imports by Canada and Mexico. U.S. soybean export volume is projected down by 6.5 million tons, reflecting reduced prospects for the U.S. crop, as well as the likelihood of greater foreign competition

from larger South American supplies. Wheat volume will slip 500,000 tons.

As prices rise, bulk commodities' share of total U.S. agricultural export value is projected at 36.5 percent in 2003, a gain from the 34.4-percent share estimated for 2002. This would be the first increase in share for bulk commodities since fiscal years 1995 and 1996, when exports reached record levels and bulk exports rose sharply.

HVP exports include products such as meat, vegetable oils and meals, fruits, vegetables, and packaged, frozen, and canned foods. While still larger in total value than bulk exports, HVP exports, at \$36.5 billion, are expected to contract to a 63.5-percent share from the 65.6 percent estimated for 2002. Shipment of higher valued goods tends to be more dependent on global income growth and demand for luxury goods than do staple bulk commodities.

Global Economic Recovery To Be Uneven

Global income growth is fueled by economic growth. In 2003, the world's gross domestic product (GDP) is expected to show modest recovery from the slowdown that began in 2001 and continued in 2002. But the distribution of growth is expected to be uneven from region to region. Global GDP growth is projected at 3 percent for 2003, compared with less than 2 percent in 2002.

Some of the modest economic gain will occur in developed countries, such as the U.S. and the European Union (EU). The U.S. economy has already begun to rebound this year, and growth is expected to increase to about 3 percent next year. Growth in the EU also is projected to be approximately 3 percent in 2003.

However, growth in other developed economies, such as Japan, is projected to remain very slow. Japan's GDP growth in 2003 is projected at 1 percent or less. Some analysts even expect Japan to remain in recession in 2003, as doubt about the depth of its financial system's structural problems continues to weaken business expectations. Consequently, developed-country GDP growth is fore-

World Agriculture & Trade

cast up only modestly in 2003 to 1.5 percent, from 1.1 percent in 2002. And, since global economic recovery is largely dependent on growth in the developed economies, recovery elsewhere also is likely to be uneven in 2003.

Developing countries as a group are forecast to show stronger gains than developed countries, with GDP increasing about 5 percent in 2003. While stronger economic growth is projected in some developing countries, others continue to experience financial crises. Asia's growth will be buoyed by continued annual growth of 5-8 percent in China and India, which are largely unaffected by slow world growth. Other Asian countries, such as South Korea, Taiwan, Malaysia, the Philippines, and Thailand, are likely to be dependent on growth in the U.S. and Europe.

In Latin America, the large markets—Mexico, Brazil, and Argentina—are cause for concern. Mexico's projected growth for 2003 is likely to be more favorable than in 2002, as its growth is closely tied with that of the U.S. But Argentina and other South American economies such as Brazil continue to suffer serious economic and financial problems, which may reduce growth potential as well as hamper their competitiveness in global agricultural markets.

The U.S. dollar has depreciated slightly from its strong position of recent years. Against the euro and other developed-

This is USDA's initial forecast of agricultural exports for fiscal year 2003 (released August 29, 2002). It reflects USDA forecasts in the August 12, 2002 *World Agricultural Supply and Demand Estimates* report. Bulk commodities include wheat, rice, feed grains, soybeans, cotton, and tobacco. High-value products (HVPs) comprise total exports minus bulk commodities. HVPs include semi-processed and processed grains and oilseeds (e.g., soybean meal and oil), animals and animal products, horticultural products, and sugar and tropical products. A breakout of U.S. agricultural exports and imports by major commodity group—both volume and value—for 2000-03 is included in appendix table 27.

economy currencies this depreciation may be insufficient to help promote exports. The continued relative strength of the dollar, and appreciation against the yen, may temper expected gains in U.S. agricultural exports and continue to encourage import growth in 2003.

Drought Affects Corn & Soybean Exports

Drought in the U.S., and reduced export competition, will be major factors reducing soybean exports in 2003. U.S. production is forecast down to 71.5 million tons from 78.7 million in 2002. Export volume is expected to plummet to just 22.3 million tons, down 23 percent from 2002,

and the lowest level of soybean exports since 1994. Brazil, in contrast, is expected to increase production and exports significantly in 2003. Argentina, faced with a financial crisis, will help boost export competition by switching some acreage from corn (higher production costs) to soybeans (lower production costs), reducing costs and raising export value. Forecast U.S. soybean export value remains unchanged at \$5.4 billion, despite the drop in volume, as the drought pushes prices to a 5-year high.

U.S. corn exports are projected up 5 percent to 51 million tons in 2003. Exports of other coarse grains, however, are projected the same to slightly less in volume. Corn export value is projected up 32 percent to \$6.2 billion. Drought will reduce the U.S. corn crop, and with the U.S. accounting for about two-thirds of global corn exports, U.S. corn prices determine global prices, which rise significantly. Despite the lower production, U.S. supplies are expected to be sufficient to replace reduced exports from Argentina, where the financial crisis and high input costs are reducing corn area and production.

The smallest U.S. wheat crop in 30 years, coupled with drought-reduced crops in Canada and Australia, will raise wheat prices. U.S. wheat and flour exports are projected at 25 million tons, which rises to \$4 billion. While large, lower priced supplies will be available from the Black Sea region and a near-record crop is expected in the EU, the sharply lower pro-

U.S. Agricultural Exports: Forecast and Recent Performance

Commodity	1997	1998	1999	2000	2001	2002	2003
\$ billion							
Grains and feeds ¹	16.5	14.1	14.4	13.9	13.9	14.1	16.5
Oilseeds and products	11.5	11.1	8.7	8.6	8.8	9.6	9.8
Livestock products	7.6	7.5	7.1	8.5	8.8	8.7	8.9
Poultry and products	2.9	2.7	2.1	2.2	2.5	2.4	2.6
Dairy products	0.8	0.9	0.9	1.0	1.1	1.0	1.1
Tobacco, unmanufactured	1.6	1.4	1.4	1.4	1.2	1.2	1.3
Cotton and linters	2.7	2.5	1.3	1.8	2.1	2.3	2.7
Seeds	0.8	0.8	0.8	0.8	0.7	0.8	0.8
Horticultural products	10.6	10.3	10.3	10.5	11.1	11.2	11.5
Sugar and tropical products	2.1	2.1	2.1	2.3	2.6	2.3	2.4
Total value ²	57.3	53.6	49.1	50.7	52.7	53.5	57.5

Fiscal years: 2002 estimated; 2003 forecast. Reflects forecasts in the August 12, 2002 *World Agricultural Supply and Demand Estimates*.

1. Includes pulses and processed grain products. 2. Includes a small amount of miscellaneous products not elsewhere classified.

Sources: U.S. Department of Agriculture and Census Bureau, U.S. Department of Commerce.

Economic Research Service, USDA

World Agriculture & Trade

duction in Australia and Canada means many importers will turn to the U.S. for needed supplies, despite the sharply higher prices.

U.S. rice exports in 2003 are projected up 100,000 tons to 3.4 million tons, as some food aid shipments delayed from 2002 occur. The value of U.S. rice exports is expected to remain virtually unchanged from 2002. A slight gain in global prices is anticipated, reflecting small growth in global consumption coupled with a small reduction in global supplies.

Unusually high exports are projected for U.S. cotton in 2003. Large U.S. exportable supplies, as well as expected larger imports by China, contribute to the gains. Volume in 2003 rises 4 percent from the already high estimate for 2002. At 2.5 million tons in 2003, projected volume of U.S. cotton exports approaches record levels last seen in the 1920s. A new trend of sharply reduced U.S. consumption is adding to export expansion. Cotton export value is projected up \$400 million, or 17 percent, to \$2.7 billion, reflecting both volume gains and recent improvements in cotton prices.

Growth Slows for HVP Exports

Although 2003 U.S. HVP exports are projected up \$1.4 billion to \$36.5 billion, the expected growth rate in HVP exports is much more modest than bulk exports' 14-

percent climb. The 4-percent HVP growth over 2002 is slightly slower than 2002's growth over 2001.

Horticultural products account for much of the growth in 2003 HVP exports. Horticultural exports are projected at \$11.5 billion, up \$300 million from 2002.

Exports of soybean oil and broiler meats are expected to show gains of \$200 million each. Livestock exports gain \$100 million over 2002, propelled by expected increases in beef, pork, and variety meats.

Horticultural product gains include increases of \$100 million each in exports of fruits, vegetables, and tree nuts. Canada, Mexico, and Asia continue to be the main markets for these exports, and their demand continues to grow, promoting trade expansion. The volume of fruit, vegetable, and tree nut exports also is projected to rise 4 percent, or 300,000 tons.

Apple exports will be boosted by a large crop in Washington State, the main U.S. exporter. Almond, walnut, and pistachio crops are expected to remain near record levels, also promoting exports.

Expected U.S. soybean oil exports are driven by ample U.S. supplies. In addition, foreign production of competing oilseeds and vegetable oils is expected to slow while foreign demand growth continues. Prices are expected to be pulled up by reduced 2003 production both abroad and in the U.S. Supplies of competing

vegetable oils as a group will likely decline in 2003, boosting prices further. Global consumption of vegetable oils rises as well, so ending stocks are expected to be drawn down somewhat to meet demand.

Broiler exports, which lead gains in livestock and livestock products, are expected to increase by \$200 million and 300,000 tons in 2003. The U.S. and Russia recently reached an agreement on veterinary certificates, which should allow poultry exports to Russia to resume in 2003. But export growth is expected to be moderate as Russia tries to expand its own poultry industry. Russia's imports of U.S. poultry meat rose sharply in fiscal year 2001 over fiscal year 2000, but imports so far in 2002, during the veterinary dispute, are smaller in quantity.

Slight expansion is expected in 2003 U.S. beef exports, as both volume and value increase. Sales to Asia and in North America are expected to remain strong. Japan's imports of U.S. beef are expected to be closer to normal in 2003 as concerns about bovine spongiform encephalopathy abate. Higher prices also are likely to boost pork export value, but drought and higher feed costs make the outlook very uncertain. **AO**

Carol Whitton (202) 694-5287
cwhitton@ers.usda.gov

More to come on trade

- ◆ Gains from trade liberalization: developed and developing countries
- ◆ The European Union and commodity policy
- ◆ Potential enlargement of the EU
- ◆ Global markets for processed foods

. . .in upcoming issues of *Agricultural Outlook*